

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---------------------------------|---|------------------|
| THE NOTICE OF PURCHASED GAS |) | |
| ADJUSTMENT FILING OF MT. OLIVET |) | CASE NO. 9918-P4 |
| NATURAL GAS COMPANY, INC. |) | |

O R D E R

On August 10, 1987, in Case No. 9918, the Commission approved certain adjusted rates for Mt. Olivet Natural Gas Company, Inc. ("Mt. Olivet") and provided for their further adjustment on a quarterly basis in accordance with its gas cost adjustment ("GCA") clause.

On May 31, 1996, Mt. Olivet filed its GCA proposed to be effective from July 1, 1996 to October 1, 1996.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Mt. Olivet's notice proposed revised rates designed to pass on its expected wholesale increase in gas costs to its customers. Mt. Olivet's proposed expected gas cost ("EGC") was based on April billings from Natural Gas Clearinghouse and did not reflect the current levels of gas cost. Using an average of NYMEX gas futures prices for the quarter beginning July 1, 1996 results in an EGC of \$3.7862 per Mcf.

2. Mt. Olivet has no current supplier refunds. The total refund adjustment of 13.11 cents per Mcf reflects previous quarter adjustments.

3. The notice set out a current quarter actual adjustment ("AA") of 47.03 cents per Mcf to reconcile gas cost from January, February, and March 1996. Mt. Olivet did not use the EGCs which were actually in effect for these months in its current AA calculation. Correcting this error yields a current AA of 16.12 cents per Mcf. The total AA of 22.12 cents per Mcf reflects the current under-collection as well as under- and over-collections from previous quarters, and corrects for an error in which Mt. Olivet used incorrect previous quarter adjustments (\$.2511, \$.0041 and \$.0820 instead of \$.1307, \$.0113, and (\$.0820), respectively).

4. These adjustments produce a gas cost recovery rate of \$3.8763 per Mcf, \$1.5804 per Mcf more than the prior rate.

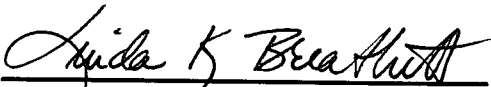
5. The rate adjustments in the Appendix to this Order are fair, just, and reasonable, in the public interest, and should be approved with gas supplied on and after July 1, 1996.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Mt. Olivet be and they hereby are denied.
2. The rates in the Appendix to this Order are fair, just, and reasonable, and are effective for gas supplied on and after July 1, 1996.
3. Within 30 days of the date of this Order, Mt. Olivet shall file with this Commission its revised tariffs setting out the rates authorized in this Order.

Done at Frankfort, Kentucky, this 27th day of June, 1996.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9918-P4 DATED JUNE 27, 1996

The following rates and charges are prescribed for the customers in the area served by Mt. Olivet Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Rates: Monthly

| | <u>Base Rate</u> | <u>Gas Cost Recovery Rate</u> | <u>Total</u> |
|--|------------------|---------------------------------------|--------------|
| First 1,000 cu. ft. or less | \$2.98 | \$3.8763 | \$6.8563 |
| Next 4,000 cu. ft. per 1,000 cu. ft. | 1.2613 | 3.8763 | 5.1376 |
| Next 5,000 cu. ft. per 1,000 cu. ft. | 1.0613 | 3.8763 | 4.9376 |
| Next 10,000 cu. ft. per 1,000 cu. ft. | 0.9113 | 3.8763 | 4.7876 |
| Over 20,000 cu. ft. per 1,000 cu. ft. | 0.7113 | 3.8763 | 4.5876 |